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## COURT REPORTING



### Transcript of **Michael E. Ellis**

Wednesday, December 4, 2019

*In re Alta Mesa Resources, Inc. and Alta Mesa Holdings, LP*

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Alderson Reference Number: 89949

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

In re:	)	
	)	Chapter 11
ALTA MESA RESOURCES, INC.,	)	
et al.,	)	Case No. 19-35133
	)	
Debtors.	)	
	)	(Jointly
<u>ALTA MESA HOLDINGS, LP, and</u>	)	Administered)
OKLAHOMA ENERGY	)	
ACQUISITIONS, LP	)	
	)	
Plaintiffs.	)	
	)	Adv No. 19-03609
v.	)	
	)	
KINGFISHER MIDSTREAM, LLC	)	
and OKLAHOMA PRODUCED WATER	)	
SOLUTIONS, LLC,	)	
`	)	
Defendants.	)	

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ORAL DEPOSITION OF MICHAEL E. ELLIS

DECEMBER 4, 2019

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DEPOSITION of MICHAEL E. ELLIS, produced as a witness at the instance of the Plaintiffs, and duly sworn, was taken in the above-styled and numbered cause on December 4, 2019, from 8:59 a.m. to 12:45 p.m., before Denyce M. Sanders, RDR, CRR, TCRR, CCR (LA), in and for the State of Texas, recorded by machine shorthand, at the offices of Winston & Strawn LLP, 1111 Louisiana Street, 33rd Floor, Suite 3700, Houston, Texas, pursuant to the Federal Rules of Civil Procedure and the provisions stated on the record or attached hereto; signature having been waived.

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1 A. Yeah.

2 Q. Did you make any introductions to anyone on

3 his behalf or anything like that?

4 A. You know, he actually came there because we

5 hired one of his friends, and his friend ended up

6 suggesting he put in an application or whatever he

7 did. However he got the interview.

8 Q. Were you aware he was applying?

9 A. I'm sure I was.

10 Q. And did you talk with anyone about this

11 deposition prior to it occurring?

12 Sorry. Let me rephrase. Very unclear.

13 Did you talk with anyone, any of your former

14 colleagues at AMH, or Mr. Chappelle, about this

15 deposition prior to it occurring?

16 A. No.

17 MR. GOERLICH: Do we know if lunch is --

18 I think we can take a break for that.

19 (Lunch break.)

20 Q. (BY MR. GOERLICH) Mr. Ellis, besides the

21 non-STACK oil and gas properties, were any other

22 assets transferred to High Mesa as part of the

23 business combination?

24 A. Yeah. The stock of Alta Mesa Resources.

25 Q. So that Alta Mesa Resources stock was with

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1 AMH and was transferred to High Mesa?

2 A. That makes sense.

3 Q. Besides the stock and the oil and gas

4 non-STACK properties, any other assets transferred?

5 A. I don't think so.

6 Q. And how about liabilities transferred to High

7 Mesa, were any non-oil and gas non-STACK

8 assets -- that is a very confusingly phrased question.

9 Were any liabilities, besides liabilities of

10 non-STACK oil and gas assets, transferred to High

11 Mesa?

12 A. Not that I know of.

13 Q. Okay. So we discussed earlier that KFM got

14 some bids for it alone as part of the business

15 combination.

16 A. Well, it was before the business combination,

17 but, yes.

18 Q. Before the business combination.

19 Do you recall any discussions around KFM's

20 value and a desire to increase KFM's value as part of

21 the business combination?

22 MR. HENNIES: Objection to the extent

23 this is relevant to the adversary proceeding.

24 MR. WOOLNER: Object to the form of the

25 question.

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1 A. I don't remember that occurring.

2 Q. (BY MR. GOERLICH) Do you recall any change in

3 the valuation of AMH in the course of the negotiations

4 over the business combination?

5 A. Yes.

6 Q. And what was that change?

7 A. I believe that we were valued maybe at \$1.7

8 billion initially, and Hal made a recommendation that

9 with the oil pricing coming down, that we should agree

10 or volunteer to reduce our valuation of 1.4 to help to

11 make sure that this transaction would actually close.

12 Q. And did you agree with Mr. Chappelle's

13 recommendation?

14 A. I did.

15 Q. Do you remember anyone disagreeing with it?

16 A. No.

17 Q. In discussing the joint development agreement

18 with Bayou City, you mentioned some concerns about

19 child -- with regard to Bayou City and not recouping

20 its investment, you mentioned some issues with child

21 well production decreasing, as well as falling oil

22 prices.

23 When did those issues occur?

24 A. The realization of the decrease in recoveries

25 from the children wells occurred after we started

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1 drilling children wells, and I started -- started

2 seeing enough performance in enough wells to realize

3 that this is a regional issue, and now we know -- the

4 whole industry now knows it's a total nonconventional

5 issue, as far as I can think of. Every -- every basin

6 is discovering that on their own.

7 Q. And so you said after you began drilling the

8 child wells.

9 When was that precisely?

10 A. We had a few children wells drilled prior to

11 the February date and in producing, but those

12 actually -- they were spaced far enough apart that

13 they pretty much fit into range. So it was the -- the

14 first one was the Bullis-Coleman pattern was the first

15 pattern where we -- where it was really obvious that

16 we weren't going to get recoveries out of the children

17 wells that we expected.

18 Q. And when was that?

19 A. Well, I know that -- I know when it was

20 obvious of the conclusion for the whole idea. That

21 would have probably been third quarter of 2018.

22 Q. But for the initial Bullis-Coleman wells, you

23 don't remember a specific date?

24 A. No.

25 Q. And then you also mentioned falling oil

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